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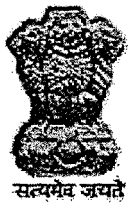
MANAGEMENT OF NARCOTICS SUBSTANCES

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

PUBLIC ACCOUNTS COMMITTEE
(2017-18)

NINETY-SIXTH REPORT

SIXTEENTH LOK SABHA



LOK SABHA SECRETARIAT
NEW DELHI

PAC NO. 213(

NINETY-SIXTH REPORT

PUBLIC ACCOUNTS COMMITTEE
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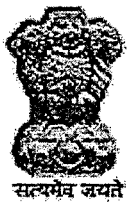

Presented to Lok Sabha on: 28/03/2018

Laid in Rajya Sabha on: 28/03/2018

LOK SABHA SECRETARIAT
NEW DELHI

March, 2018/ Chaitra, 1940 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2017-18)

Shri Mallikarjun Kharge - Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Subhash Chandra Baheria
4. Shri Prem Singh Chandumajra
5. Shri Nishikant Dubey
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio*
10. Shri Abhishek Singh
11. Prof. Ram Shanker
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Bhubaneswar Kalita
19. Shri Mohd. Ali Khan†
20. Shri Sukhendu Sekhar Roy‡
21. Shri Ajay Sancheti
22. Shri Bhupender Yadav

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T.Jayakumar - Director
3. Smt.Bharti S. Tuteja - Deputy Secretary

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* Ceased to be a Member of Committee consequent upon acceptance of his resignation from Lok Sabha w.e.f. 22 February, 2018.

† Elected w.e.f. 29 December, 2017 in lieu of vacancy caused due to retirement of Shri Shantaram Naik.

‡ ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017 and re-elected w.e.f. 29 December, 2017.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2016-17)

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Prof. Richard Hay
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphiu Rio
10. Shri Janardan Singh Sigriwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. § Shri Bhupender Yadav
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ajay Sancheti

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§ Elected w.e.f. 09.08.2016 *vice* Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmpura
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2014-15)

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmpura
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10[**]. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12[††]. Shri Shiv Kumar Udasi
13. Dr. Kirit Somaiya
14. Shri Anurag Thakur
15[‡‡]. Dr. P. Venugopal

RAJYA SABHA

16. Shri Satyavrat Chaturvedi
17. Shri Vijay Goel
18. Dr. Satyanarayan Jatiya
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ramchandra Prasad Singh

[**] Elected w.e.f. 3rd December, 2014 *vice* Shri Rajiv Pratap Rudy who has been appointed as Minister w.e.f. 9th November, 2014.
[††] Elected w.e.f. 3rd December, 2014 *vice* Shri Jayant Sinha who has been appointed as Minister w.e.f. 9th November, 2014.
[‡‡] Elected w.e.f. 3rd December, 2014 *vice* Dr. M. Thambidurai who has been chosen as Hon'ble Deputy Speaker, Lok Sabha and has since resigned from the membership of the Committee.

COMPOSITION OF THE SUB COMMITTEE III OF THE PUBLIC ACCOUNTS COMMITTEE (2017-18)

Convenor	:	1. Shri Nishikant Dubey
Alternate Convenor	:	2. Shri Satyavrat Chaturvedi
Members	:	3. Shri Shivkumar C. Udasi
		4. Shri Bhupender Yadav
		5. Shri Sukhendu Sekhar Roy*
		6. Shri Ajay Sancheti

*ceased to be a Member of Committee consequent upon his retirement from Rajya Sabha on 18 August, 2017 and re-elected w.e.f. 29 December, 2017.

COMPOSITION OF THE SUB COMMITTEE - III OF THE PAC (2016-17)

Sub-Committee – III (Direct and Indirect Taxes)

Convenor	:	1. Shri Nishikant Dubey
Alternate Convenor	:	2. Shri Satyavrat Chaturvedi
Members	:	3. Shri Shivkumar C. Udasi
		4. Prof. Richard Hay
		5. Shri Sukhendu Sekhar Roy
		6. Shri Ajay Sancheti

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2017-18), having been authorised by the Committee, do present this Ninety-sixth Report (Sixteenth Lok Sabha) on **'Management of Narcotics Substances'** based on Chapter VI of C&AG Report No. 12 of 2014 relating to the Ministry of Finance (Department of Revenue).

2. The Report No. 12 of 2014 of the Comptroller and Auditor General of India was laid on the Table of the House on 1 August, 2014.

3. Chapter VI of C&AG Report No. 12 of 2014 on Management of Narcotics Substances was selected by the Public Accounts Committee (PAC) for examination in 2014-15 and continued to be examined during 2015-16. The subject was discussed by the PAC during study visit at Goa during 2015-16. Subsequently, on allocation of the subject to Sub-Committee III (Direct & Indirect Taxes) of PAC, the subject was examined during 2016-17 and 2017-18.

4. The Sub-Committee III of Public Accounts Committee took oral evidences of the representatives of Ministry of Home Affairs on 9 November, 2016, Ministry of Commerce & Industry (Department of Commerce) and Narcotics Control Bureau (NCB) on 9 November, 2017 and Ministry of Finance (Department of Revenue) & Central Bureau of Narcotics (CBN) on 4 December, 2017. The Sub-Committee III of PAC (2017-18) considered and adopted this Report at their sitting held on 22 March, 2018. The Public Accounts Committee (2017-18) considered and adopted this Report at their sitting held on 23 March, 2018. The Minutes of the sittings are appended to the Report.

5. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part II of the Report.

6. The Committee thank the predecessor Committees for obtaining information on the subject.

7. The Committee would like to express their thanks to the representatives of the Ministry of Finance (Department of Revenue), Ministry of Home Affairs, Ministry of Commerce & Industry (Department of Commerce), NCB and CBN for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

8. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the office of the Comptroller and Auditor General of India.

NEW DELHI;
23 March, 2018
2 Chaitra 1940 (Saka)

Shri Mallikarjun Kharge,
Chairperson,
Public Accounts Committee.

MANAGEMENT OF NARCOTICS SUBSTANCES

(DEPARTMENT OF REVENUE)

Part – I

I. Introduction

The use of opium in the country could be traced back as far as 1000 AD where it finds mention in ancient texts such as Dhanvantari Nighantu as a remedy for variety of ailments. Prior to 1950, the administration of the Narcotics Laws, namely, the Opium Act of 1857 & 1878 and the Dangerous Drugs Act, 1930 vested with the Provincial Government. The amalgamation of these Agencies laid the foundation of the Opium Department in November, 1950 which is presently known as Central Bureau of Narcotics (CBN). The CBN Headquarters was shifted from Shimla to Gwalior in 1960. In India, opium poppy cultivation is prohibited, under Section 8 of the Narcotics Drugs and Psychotropic Substances (NDPS) Act, 1985, except under a license issued by the Central Bureau of Narcotics. At present, the licit opium cultivation is permitted by the Government of India in selected tracts in three traditionally opium growing States namely Madhya Pradesh, Uttar Pradesh and Rajasthan. As a signatory to the United Nations Single Convention on Narcotics Drugs, 1961 and as a licit producer of opium, India is required to adhere to the regulations under the said convention. The NDPS Act 1985 was amended twice in 1989 and 2001. The NDPS (Amendment) Act 2011, passed on 21 February 2014, aimed at ensuring availability of essential opioid medicines for medical use and private sector involvement.

2. The Chapter VI of the Report Number 12 of 2014 of the C&AG scrutinized records of cultivation, production, possession, storage, sale, consumption, import and export of opium and its derivatives of Narcotics Commissioner, Central Bureau of Narcotics, Gwalior and its field formations along with its linkages with Government Opium and Alkaloid Works (GAOW) and Narcotic Control Division (NCD) for the period from 2010-11 to 2012-13.

3. Narcotics Commissioner, CBN reports to the Additional Secretary (Revenue), Narcotic Control Division (NCD), Department of Revenue (DoR) for all operational matters.For administrative, personnel and vigilance issues it is under the Central Board of Excise and Customs. The opium collected from the farmers by the CBN is sent to Government Opium and Alkaloid Works (GOAW) Neemuch and Ghazipur which are under the control of the Chief Controller of Factories (CCF) under the NCD (DoR).

4. Being signatory to the three UN Conventions on drugs held in the year 1961, 1971 and 1988, India has made enabling provisions in the NDPS Act, 1985 for control over narcotic drugs and psychotropic substances and precursor chemicals. The CBN is performing the function of the Competent National Authority for control over international trade of NDPS as provided for in the NDPS Act 1985. These provisions prohibit import and export of these drugs unless an Import Certificate or Export Authorization has been issued by the Narcotics Commissioner. The CBN issues certificates for Export/ Import of Narcotic Drugs & Psychotropic Substances and issue 'No Objection Certificate' for import/export of precursor chemicals dealing with narcotic drugs, psychotropic substances and chemicals/substances used for manufacture of these drugs.

5. The manufacture of Narcotic drugs is governed by estimate system. While allowing the manufacturing license, it is ensured that the total quantity of drug allowed to be manufactured during any year does not exceed the annual estimated requirements of India as furnished and subsequently published by the International Narcotics Control Board (INCB), Vienna, Austria.

6. Any narcotic drugs or psychotropic substances can be imported into/exported out of the country subject to Rule 53 and Rule 53-A of the NDPS Rules, 1985. The exports of Precursor Chemicals are governed by System of Pre-Export Notification (PEN).CBN uses a system of PEN to verify the genuineness of the transaction and to notify the Competent Authority of the importing and transhipping country of the impending export. Import of opium seeds is allowed subject to the following conditions:

i. Import is permitted only from Australia, Austria, France, China, Hungary, the Netherlands, Poland, Slovenia, Spain, Turkey and Czech Republic;

ii. The importer shall produce an appropriate certificate from the competent authority of the exporting country that the Opium Poppy have been grown licitly/legally in that country as per requirement of International Narcotics Control Bureau; and

iii. All import contracts shall be compulsorily registered with the Narcotics Commissioner, Gwalior prior to import.

The CBN has started the work of quota allocation of narcotic drug to the consuming companies from the year 2010.

7. Turkey, India, Australia, France, Spain and Hungary are the major legal cultivators of opium poppy in the world. Neemuch and Ghazipur GOAW produce around

250 kg Morphine. Demand of the same is estimated to surge to 30000-40000 kg a year. Similarly around 15 Tonnes of Codeine Phosphate is produced whereas the requirement is 60 Tonnes of Codiene per annum. Last demand survey was conducted by the Ministry of Social Justice and Empowerment thirteen years back in 2001. All India customs data (ICES 1.5) for 2012-13 revealed that imports were made of poppy seeds valued at ₹ 283.40 crore, opium valued at ₹ 134.57 (single import for testing purpose) and codeine phosphate valued at ₹ 0.55 lakh. During 2012-13 exports were made of codeine phosphate valued at ₹ 24.05 crore, opium valued at ₹ 130.71 crore and poppy seeds valued at ₹ 3.72 crore.

8. The scope of this audit was scrutiny of the records for the period from 2010-11 to 2012-13. It involves scrutiny of records of Narcotics Commissioner, Central Bureau of Narcotics, Gwalior and its field formations along with its linkages with Government Opium and Alkaloid Works (GOAW) and Narcotic Control Division (DoR) for cultivation, production, possession, storage, sale, consumption, import and export of opium and its derivatives.

9. The audit scrutiny revealed that there are twenty six functions outlined for CBN. CCF (GOAW), NCD (DoR) and CBEC have a critical linkage to the CBN for performance of the functions and delivering agreed results as per its RFD. There is no mention of any relationship with Narcotics Control Bureau (NCB) an organization under the administrative control of the Ministry of Home Affairs, established in 1986 under the same NDPS Act, for drug law enforcement and NCB also acts as a nodal agency to coordinate between related agencies. Almost all the roles of NCB overlap with that of CBN and the involvement of multiple agencies has led to overlapping of function between NCB and CBN and coordination related issues. Further, cases of illicit production of opium poppy, dwindling licit production of opium in India and no clear policy framework for management of Narcotic Substances have been noted by the Audit.

10. In the process of examination of the subject, the Sub-Committee obtained Background Notes and detailed written replies from the Ministry of Home Affairs, Department of Revenue and Central Bureau of Narcotics. They also took oral evidence of the representatives of the Department. Based on written and oral depositions by the Department/Ministry the Committee examined the subject in detail and reached certain conclusions as enumerated in the succeeding paragraphs.

II. Sanctioned Strength and Persons-in-position

11. Audit observed that the sanctioned strength and persons-in-position of office of the Central Bureau of Narcotics, Gwalior and Chief Controller of Factories (common

cadre) ranged from 63% to 14% in CBN whereas for CCF it was 64% to 30%. The vacancies stood at 56.83% in CBN and 60.85% in CCF.

12. Explaining about the huge gap between the sanctioned strength and persons-in-position in CBN and CCF, Special Secretary, Ministry of Home Affairs submitted during evidence held on 9.11.2016 that there were some administrative difficulties which they had to resolve by consulting DoPT.

13. On being asked to furnish the status of vacancies in CBN and CCF, the Department of Revenue in its written note submitted:-

"The status of vacancies in the CBN as on 01.12.2017, is as under:

Sl. No.	Name of the post	Sanction Strength	Working Strength	Vacancy
1.	Group 'A'	14	8	6
2.	Group 'B'	279	160	110
3.	Group 'C'	912	243	669
	Total	1205	420	785(65%)

The maximum numbers of vacancies are in the cadre of Hawaldars, therefore, right from June 2016, matter was taken up by Narcotics Commissioner with Staff Selection Commission and Central Board of Excise and Customs for launching special drive for filling up vacant post of Halwaldars. Ministry of Finance also had taken up the matter with DoPT reiterating the same request. As a result of this, Chairman, Staff Selection Commission organized a meeting on 18.08.2017, where, the Narcotics Commissioner also participated. During the course of meeting, Staff Selection Commission informed that, their calendar is full and they are not in a position to organize the special examination for recruitment of Hawaldars in CBN, CBEC and NCB, before May, 2018.

Further looking at the acute shortage of direct recruit Sub-Inspectors in CBN, a request was made to Staff Selection Commission in May 2016, followed by request to DoPT in August 2016, to devise a system of maintaining wait list in the selection list, as it has been experienced that candidates were either short sponsored for Sub-Inspector post in CBN or sponsored for Sub-Inspector post in CBN or sponsored candidates do not join Sub-Inspector's post in CBN, being not a preferred choice of majority of candidates.

Status of vacancies in CCF as on 30.11.2017

Sl. No.	Name of the post	Sanctioned Strength	Working Strength	Vacancy
1.	Group 'A'	43	20	23
2.	Group 'B'	118	42	76
3.	Group 'C'	1234	580	753(54%)

From the above table it is quite clear that a large number of posts are vacant in CCF organization. These posts belong to different cadres like CBN cadre, CRCL Cadre, Factory Cadre as well as CBEC Cadre. Posts could not be filled in CCF organization on the ground that similar ratio of vacancy is existing in the said cadres also."

14. During evidence held on 9.11.2017, Director-General, NCB further added that they were making continuous effort to fill this gap. According to their Recruitment Rules, some posts which are to be filled through UPSC which takes time as it involves long procedure.

15. When asked to furnish the status of vacancies in Narcotics Control Bureau the apex coordinating agency under Ministry of Home Affairs for matters related to enforcement under NDPS Act, the NCB in their written note replied as under:

S.I No.	Name of the Post	Vacancy 9.11.2016	Vacancy 9.11.2017
1.	Deputy Director General	04	01
2.	Assistant Director	15	11
3.	Superintendent	12	12
4.	Computer Programmer	01	01
5.	Intelligence Officer	111	07
6.	Assistant	07	07
7.	Steno Grade – II	02	01
8.	Steno Grade – III	04	04
9.	Survellience Assistant	01	01
10.	Upper Division Clerk	04	01
11.	Lower Division Clerk	08	07
12.	Halavdar/Sepoy	12	05
13.	MTS	04	05

III. Performance of the Narcotic Substances Management in India:

16. The audit revealed that the commensurate financial, human resources and litigation management information system could not be correlated with success

indicators of the objectives of NCD (DoR).Though CBN has a results framework document (RFD) as a responsibility center, NCD (DoR) or CCF (GOAW) did not have any RFD stating their objectives and measuring their success indicators thereon. There are twenty six functions outlined for CBN. CCF (GOAW), NCD (DoR) and CBEC have a critical linkage to the CBN for performance of the functions and delivering agreed results as per its RFD. There is no mention of any relationship with Narcotics Control Bureau (NCB) an organization under the administrative control of the Ministry of Home Affairs, established in 1986 under the same NDPS Act, for drug law enforcement and NCB also acts as a nodal agency to coordinate between related agencies.Almost all the roles of NCB overlap with that of CBN.

17. On being asked about the status of the Cabinet Note for transfer of NCD, CBN and CCF from DoR to MHA, Finance Secretary during the evidence held on 04.12.2017 stated as under:

> "I do not think we have got any official Cabinet note so far. Maybe, they are in the process of preparing some Cabinet note about it but we have not examined it from that angle. Whenever the Cabinet note comes, we will give our views. It is for the Government and the Cabinet to decide about the transfer."

18. It was further observed during the audit that 7276.89 hectares of land was involved in illicit cultivation of poppy which indicated the potential of additional opium cultivation in India. Better management of production of opium through ancing process and policy framework to incentivize cultivators and manufacturers could have helped save precious foreign exchange to the tune of ₹ 283.40 crore in buying poppy seeds. Audit maintained that concerted measures to increase production of poppy seeds could be taken in the NDPS Policy management which could be appropriately taken up with the UN authorities, if necessary.

19. On being asked about the above issue, the NCB, MHA submitted in its written note:

> "The licit cultivation of opium is carried in the States of Madhya Pradesh, Uttar Pradesh and Rajasthan, the States where 49% of shortfall of opium crop has

been reported, whereas the States where NCB has destroyed illicit cultivation of poppy lies in the remote areas of West Bengal, Bihar, Jharkhand, Manipur, Arunachal Pradesh and Uttrakhand and is unauthorized and illicit & its produce would have gone for illicit trafficking and drug abuse. Therefore there seems to be no relation between the two with regard to control of the Government and generation of revenue."

IV. Ambiguity in the Opium policy

20. Audit revealed that Opium poppy is cultivated strictly in accordance with the General conditions finalized by the Government of India, considering the total requirement of opium as well as keeping in view the imperative need to control diversion of opium produce into illicit channels. Accordingly, these General conditions also include a condition providing for a certain Minimum Qualifying Yield (MQY) of opium produce per hectare, which is required to be tendered by the licensed cultivators, to be eligible for licence during the following crop year. At the time of finalizing the MQY, per hectare average yield of opium achieved in that area is also taken into consideration. Audit examination revealed that the State of Uttar Pradesh was not achieving the average Minimum Qualifying Yield (MQY).

21. Though 23591 hectares area was licensed there was a shortfall of 49 percent in utilization. Thus, on the one hand Government is experiencing 49 percent shortfall in licensed area poppy cultivation and there is no Government policy to promote popular poppy seed cultivation, the farmers are utilizing a loophole in the opium cultivation policy through which the farmers cultivate opium without fulfilling the intended purpose of providing opium for medical purposes.

22. In this regard, the Department of Revenue replied in its written submission:

"Poppy cultivation in India is being undertaken for extraction of opium to meet the domestic needs of Indian Pharmaceutical Industries and for export purposes. The area brought under cultivation is to fulfill the requirement of gum opium in domestic market and export purposes as communicated by the Chief Controller, GOAF, New Delhi, after considering the requirement of opium for buffer stocks. The licensing conditions for issue of licence also clearly provide that license is being issued to the cultivators for production of opium. In order to check the cultivators who are habitually applying for uprooting, a provision has been made in the general conditions that cultivators who uprooted their crop continuous for two years will be delicensed in the next crop year.

The provision was further amended in 2015-16 crop year vide which a provision has been made in the general conditions that cultivators who uprooted their crop continuous for three years will be delicensed in the next crop year. The provisions for plough back before lancing exist primarily to safeguard the cultivator from damage caused to the opium crop prior to lancing due to reasons such as rain, hailstorm, etc. when the cultivator is unlikely to fulfill the MQY and stands the chance of getting delicensed in the next crop year .License is given only for the production of opium for medicinal use only as per the licensing policy notified by the Government of India every year. Poppy seed is a by-product obtained from the cultivation of opium poppy, which the cultivators can retain for sale in the open market as their own will or he may retain it for stock in future. There is no government control on sale of poppy seed by the cultivators in open market as it is a non-narcotic item."

V Excess ineligible licenses issued to cultivator due to violation of License Policy

23. In Madhya Pradesh state, the audit noticed that contrary to the provision of above notifications, the department had issued licenses to cultivators whose average yield was less than the prescribed limit for getting license of 50 ares in 2010-11, 2011-12 and 15 ares in 2012-13. 1909, 1820 and 1343 licenses were issued in excess against eligible cultivators during the year 2010-11, 2011-12 and 2012-13 respectively.

24. On being pointed out by Audit, DoR replied as under

" The information has been taken from Annual Narcotics Conference (ANC) Data, which is provisional. The licenses are issued on the basis of final analysis report received from Government Opium and Alkaloid Works (GOAW), Neemuch and not on the basis of ANC Data. Hence, no incorrect license was issued."

25. As per Audit, the Department's reply is to be viewed in the context that the GOAW had issued only cultivator wise analysis report for quality and consistency of opium. The yield of cultivators had been calculated on the basis of consistency report received from GOAW by the concerned Divisional Opium Officer. Hence, such data could not be treated as provisional.

VI. Continuous downfall in number of Cultivators, harvested area, harvested villages and commensurate Non Tax Revenue and Non-achievement of required opium production

26. The audit revealed that:–

i. The harvested area was less by 36.29 per cent, 50.86 per cent and 3.40 per cent during the year 2010-11, 2011-12 and 2012-13 respectively in Madhya Pradesh and the harvested area was less by 27.74 per cent, 45.74 per cent and 4.24 per cent during the

year 2010-11, 2011-12 and 2012-13 respectively in Rajasthan State with respect to the area licensed for cultivation of opium poppy.

ii. No. of cultivators licensed also reduced each year which resulted in downfall in Non-Tax Revenue, which was reduced by 9.15 per cent in three years in Madhya Pradesh State and was reduced by 15.72 per cent in three years in Rajasthan State.

iii. Number of villages reduced by 65 villages in Madhya Pradesh state and 193 villages in Rajasthan state in three years i.e. 2010-11 to 2012-13, where cultivators cultivate opium poppy.

iv. There is no provision for inclusion of new tracts and new cultivators in the NDPS Act and Opium Policy.

v. The amount of license fee had been fixed at ₹ 25 per license, applicable with effect from 5 November 1994, which was neither reviewed nor upgraded.

In Rajasthan state, the above matter was brought to the notice of the Dy. Narcotics Commissioner, Kota (February 2014).The Department stated that it is a policy related matter and is decided by the Ministry.

27. As per Audit, the persistent decrease in license fee was attributed to the following reasons:

I There is no provision for inclusion of new tracts and new cultivators in the NDPS act and Opium Policy.

II The amount of license fee has neither been reviewed nor upgraded since 1994.

28. The Department also admitted the fact that the license fee had neither been reviewed nor upgraded since 1994. DoR stated (March 2014) that the procurement price of opium is fixed by the DoR, based on the estimated cultivation cost and the need to incentivize the cultivators.

29. In Madhya Pradesh state, the audit noticed that the available stock of opium as well as the expected/estimated requirement (buffer stock of one year) of opium for domestic use and for export for the years 2010-11 to 2012-13 had shortfall in production of opium i.e. 100 MTs, 600 MTs and 169 MTs in respect of requirement of opium for the year 2010-11, 2011-12 and 2012-13 respectively clearly shows the failure of department to achieve the estimated requirement/production of opium. The Department replied (January 2014) that shortfall in production of opium was due to less harvesting of crop due to damage in crop (plant disease/natural calamity) in year 2010-11, large uprooting/plough back of opium due to heavy damage in year 2011-12 and licenses are given to cultivators for 10 ares and 15 ares in place of 35 ares and 50 ares resulting in

less harvested area in year 2012-13. As per Audit, the licensing policy is prepared after considering various aspects like domestic use of opium, commitment for export, minimum qualifying yield, number of cultivators, number of villages and trend of last year etc. and even after considering all these aspects there was a huge shortfall of 43.04 per cent and 31.29 per cent in production of opium during the year 2011-12 and 2012-13 respectively.

30. Explaining about why are they not able to have a policy of narcotics by which the farmers of India are able to cultivate more of opium, Finance Secretary stated during evidence held on 04.12.2017:

> "There are two main reasons for this. One is that the current policy of producing poppy and the crop which we are growing in which there is a bulb which is lynched and then from that, gum is taken out and that gum is converted into opium. Now, this is the crop technology which we are using is outdated world over and many countries are shifting towards the new technology. The main reason for this is that the old technology is prone to misuse and if it is misused, there is a chance of leakage of opium going into the market and thereby can create the danger to our youth and that is why, we need to the new technology.
>
> The second reason is that this particular production is only done in Government factories which are right now with us in Government of India. There are two factories, one is in Neemuch and another is in Ghazipur. The Ghazipur factory is as old as 1850. It has been running since 1850, and, of course, the Neemuch factory has been running since 1976. Now both these factories are also very old and they are also based on the old technology. The production is based on the old pattern of crop. Now we can modernize them. We can have more production in the factory but the question is, if we expand the factory based on old technology, it is going to be of no use to us. So, we have to actually move in for a new variety of crop, which is called, Concentrate of Poppy Straw (CPS) technology, for which we have already gone ahead. We have invited the bids, and some two parties have been pre-qualified."

VII. Anomalies in the Opium policy

31. Audit examination revealed the following deficiencies:

- In Uttar Pradesh, the Central Government notifies 49 tracts in 10 Districts every year where opium cultivation is allowed whereas actual cultivation is found in only 13 tracts of Barabanki District.
- The 'Minimum Qualifying Yield (MQY)' of opium for the next crop year in the State of Uttar Pradesh is proposed on the basis of demand in international market, and not on the basis of soil testing.

- No provision has ever been made for inclusion of new cultivators or updation/upgradation of new tracts in the NDPS Act and opium policy. No soil testing was carried out before issue of licenses to cultivators.

The District Opium Officer accepted the audit observation that no soil testing was carried out before issue of licenses to cultivators. According to the Audit, though MQY is a diversion prevention measure, the extent of diversion it prevented in the last 10 years is not clearly measured.

32. When asked about the fixing of the MQY, notification of new tracts and absence of soil testing, the Department of Revenue in its written submission stated:

"1. Area under Tract Notification has been revised now and the new Tract Notification includes only those areas where cultivation is taking place.

2. Audit observed that regarding issuance of license on the basis of Soil Testing etc are neither supported by the provisions of NDPS Rules issued under NDPS Act, nor by NDPS Policy and nor even by the Guidelines issued by the Govt. for issuance of license.

However, CBN issues licences for development, soil research etc to five Research Institutes namely (i) Narendra Dev University of Agriculture & Technology, Faizabad (UP), (ii) Rajasthan College of Agriculture, MPUAT,Udaipur (Rajasthan) (iii) National Botanical Research Institute, Lucknow (UP) (iv) Central Institute of Medicinal and Aromatic Plants, Lucknow (UP) and (v)KNK college of Horticulture, Mandsaur (MP). The said research Institutes submit their research report every year. Their research projects are long term projects. Every year during Licensing Operation Agriculture Scientists are invited to give information/guidance to the poppy cultivators regarding varieties of high yielding opium, seeds, use of fertilizers and pesticides. Hand bills/pamphlets are prepared based on recommendation of Agriculture Scientists and distributed amongst the poppy cultivators and Lambardars of the village.

The National Policy on Narcotic Drugs and Psychotropic Substances issued in 2012, elucidates the reason behind fixing of MQY. It states that in order to ensure that there is no diversion of licitly grown opium, the Government of India, inter-alia, continuously reviews and increases the minimum qualifying yield (MQY) which the farmers have to tender in order to be eligible for a license to cultivate opium poppy next year.

In the Crop Year 1999-2000, as per Para 4 of the Licensing Policy the applications for new licenses were considered from the residents of opium cultivating villages falling in the notified tracts. The villages were selected in descending order from high yielding villages. New licenses were distributed equally amongst all the divisions. For determination of average yield of a village, the average of the opium yield per hectare tendered by the villages in the last five

years shall be taken into account. For a village, which has more than one lambardar or is divided into more than one part for administrative convenience, the yield of the entire village will be taken into account for computing the average yield."

VIII. Loss of Opium crop due to exorbitant ploughing back

33. The audit observed that in Uttar Pradesh State the percentage of area uprooted vis-a-vis measured area showed an upward trend and was carried out in disregard of the provisions of Part – II, Para – 131 of Opium Manual. In Barabanki district, the uprooted area increased from 59.57 per cent in 2011 to 75.32 per cent in 2013, and no reasons like natural calamities such as rains, plant diseases etc. were available on record. An illustrative case relating to uprooting in contravention of the aforesaid provisions is stated below: In Bareilly district, a cultivator had an excess cultivation beyond the 5% 'Condonable Limit' during the crop year 2011-12 and the appellate authority vide appeal order No.9/2012 dated 29 March 2012 had ordered the ploughing back of excess portion of crop only.DOO, however, ploughed back the entire crop of the cultivator in disregard of the aforesaid provisions and the order of the appellate authority. Besides, this fact was wilfully not mentioned by the District Opium Officer in his annual report of 2012.

34. In this regard, the Department of Revenue replied in its written submission:

"The ploughing back /uprooting of un-lanced opium crop is done under the Departmental supervision on the basis of application received from the cultivators stating reason of damage caused to the opium poppy crop due to natural calamity e.g. heavy rains, strong winds, hailstorm etc. or disease. Uprooting is done in case of un-lanced opium poppy crop only. It is not correct to say that there is deficient internal control and no proper documentation regarding details of uprooting of crops is made by the unit offices. Plough back/uprooting is conducted by a team of officers headed by an officer not below the rank of Superintendent under proper Panchnama. Proper monitoring is done at DOO, DNC and Headquarters Level. There is no loss of good opium crop due to ploughing back/uprooting.

As regards reminiscent of the poppy plant, there are two by-products in opium crop one poppy seeds and the other poppy husk. The cultivator can sell poppy seeds in open market without any restriction whereas poppy straw is purchased by the State Excise through contractors. In pursuant to the Order No. 2 dated 7.3.2012 as amended by order No. 3 dated 19 February, 2012 issued by the Department of Revenue, Ministry of Finance, Government of India, under section 74 A of NDPS Act, 1985 no poppy straw would be allowed to be used for de-addiction purpose and should only be ploughed back in the field after 31.3.2016 i.e. after which poppy straw sale would be prohibited."

IX. Payment made to persons other than cultivators (₹208.39 lakh)

35. The audit examination revealed that in Madhya Pradesh state, during the test check of Opium Payment Register for the year 2010-11 to 2012-13 of three District Opium Officers (Jaora-II, Mandsour-III and Neemuch-I), contrary to the provision given in NDPS Rule,1985 the department had paid ₹ 151.94 lakh being 90 percent price of opium and its balance amount to the persons other than cultivators like son, brother, daughter and Mukhiya etc which was against the provisions of NDPS Rules,1985.

36. The Department of Revenue replied in this regard in its written submission:

> "It is mentioned that before crop year 2012-13, there was provision to make cash payment to the cultivator at Weighment/Settlement Centre. During weighment many female and old age cultivators after tendering their opium left the Weighment Centre and could not wait for payment till late evening. Generally, their near relatives nominated by the cultivator concerned collect cash payment. Keeping in view of practical difficulties faced by such cultivators, provisions are there in the opium Manual
> to make payment to the Lambardar or substitute appointed by the cultivator himself on the responsibility of the Lambardar and the name of the payee being recorded in the weighment register. The same practice prevailed until the crop year 2012-13. Department has not faced any difficulty either from cultivator side or from any public representative in general in this matter. Now, from the crop year 2012-13 onwards, the system of cash payment is completely withdrawn and payment to cultivator is now being made direct to their individual savings Bank Account through e-payment."

37. As per Audit, the fact remains that an amount of ₹ 151.94 lakh was paid to persons other than cultivators without obtaining any appointment letter from the cultivators.

X. Long pendency of Court cases

38. As per provisions of Results Framework Document (RFD) of CBN, the Department is mandated to book cases against the offenders of NDPS Act, 1985; to file complaint in the designated court and to watch their disposal. During the scrutiny of Quarterly Information/Report in respect of Pending Cases in District/Subordinate courts for the quarter ending on December 2013 sent by U.P. Unit of CBN to their Headquarters, audit observed that out of 104 cases pending as on date, about 37 cases involved seizures prior to the year 2000; but neither the respective date(s) of filing these 104 cases had been mentioned, nor the Department was aware of the disposal/present status of any of these cases.

39. The matter has been brought to the notice of the DoR which submitted:

"It is not correct to say that 104 no. of cases are pending. The officers of CBN have filed complaint in the designated courts within the stipulated time period under the NDPS Act. Once a complaint is filed the Investigating Officer or the department have no powers to expedite the disposal of such cases in the court. The judiciary being independent has laid down procedure and it acts according to its own procedures or as laid down by the higher courts for trial of the cases filed before it. However, the department regularly directs the SPP concerned to request the courts for early disposal of the cases. It is pertinent to mention here that as in Uttar Pradesh there are no Special Courts for trial of NDPS cases unlike M.P. and Rajasthan. Therefore, this is one of the reasons of long pendency of NDPS cases in U.P."

XI. Preventive activities, Illicit Poppy cultivation

40. As a preventive and enforcement function, CBN while conducting the survey to verify satellite maps for presence of illicit poppy cultivation, destroyed 2785.148 hectares of illicit opium poppy crop during the period 2009-10 to 2011-12. Another organization, Narcotics Control Bureau (NCB) under the Ministry of Home Affairs was established in 1986 under the NDPS Act for drug law enforcement and it also acts as a nodal agency to coordinate between related agencies. Almost all the roles of NCB overlap with that of CBN. However, the NCB under Ministry of Home Affairs separately reported identification and destruction of opium poppy spread over 3098.55 acres (1291.06 hectares) in 2012 compared to 14366 acres (5985.83 hectares) in 2011.

41. On being asked about the effectiveness of the satellite used for monitoring during the evidence held on 09.11.2016,Director General, NCB replied that the mapping of many areas had not been done and they were making efforts for the ground survey but the satellite provided images had many deficiencies and needed improvement.

42. DoR submitted in this regard:

"As regards opinion of the audit in this para that enforcement, management and coordination of NDPS Act, 1985 should be with one agency to avoid duplicity, dissonance and waste of precious resources, it is submitted that the NCB and CBN have their own set of mandates assigned by the Central Government. It is also mentioned that a number of Central and State level agencies have been empowered under various provisions of the NDPS Act. At the Central level, these agencies are CBN, NCB, Customs and Central Excise, DRI and certain paramilitary forces. At the State level, these are the Police, Excise, Drug Control etc. Each of these agencies also has a primary function. Thus, while NCB is the apex coordinating agency under Ministry of Home Affairs for matters related to enforcement under NDPS Act. NCB collect and analyse data related to seizures of narcotic drugs and psychotropic substance, study trends, modus operandi,

collect and disseminate intelligence and work in close cooperation with the Customs, State Police and other law enforcement agencies. The primary function of CBN besides enforcement work relates to supervision over licit cultivation of opium poppy In India spread across the States of Madhya Pradesh, Rajasthan and Uttar Pradesh, issue of licenses for manufacture of synthetic narcotic drugs, Issuance of Export Authorisations/ Import Certificate for export/ import of Narcotic Drugs and Psychotropic Substances, Issuance of No Objection Certificate (NOC) for import/ export of a select number of Precursor Chemicals. Therefore, it cannot be said that all the roles of NCB overlap with that of CBN.

The ADRIN satellite images & topographic co-ordinates are being received by CBN through CEIB since 2015. In 2015 CBN received satellite images & co-ordinate for the states of West Bengal, J & K, Himachal Pradesh, Bihar & Jharkhand which were sent to the Chief Secretary, the DGP and the Secretary, State Excise for further necessary action.

In 2016, Revenue Secretary, Department of Revenue has written to the Chief Secretaries of various States where ADRIN has provided satellite data/imagery relating to illicit cultivation, for giving necessary direction to concerned authorities in the State to immediately verify each and every locations given by ADRIN and take steps to destroy the illicit poppy crop. Secretary Revenue also wrote to Heads/DGs of various Central Paramilitary Forces and Chairman, Central Board of Excise & Customs (CBEC) to assist and coordinate with the NCB and State law enforcement authorities in the operations to destroy the illicit poppy crops."

XII. Internal control audit and Monitoring

43. As per Audit, the Department claimed to conduct 100 per cent internal audit of cultivation of opium records after the completion of settlement operation each year. However, it is believed that 100 per cent internal audit was instructed only in 2009-10 under special circumstances. As per internal audit report no discrepancies/irregularities/ambiguity was found during period from 2010-11 to 2012-13. However, this audit has pointed out, inter-alia, non-adherence to the provisions of licensing policy, smart card identification, satellite based cultivation management and lack of serious efforts for recovery of outstanding dues from the cultivators indicating lack of internal control in the Department."

44. Further, Audit observed that it was not clear as to how the RFD of CBN is being monitored by DoR and the critical performance requirements from other organizations (including NCB) are managed for achievement of DoR's objectives since; DoR did not have a RFD in line with its business rules. Similarly, there was no reconciliation done with the State Excise Departments to control the sale/diversion of the by-product of the

poppy (poppy straw, poppy husk and poppy seeds). The action taken by CBN to comply with ISO 9001 requirements was also awaited from the Department.

45. During evidence held on 09.11.2017, DG, NCB replied with regard to Centralised Monitoring System that the approval for Centralised Monitoring System has been given by Cabinet Committee on Security and it is under active consideration.

46. When asked about the internal control and audit of the activities of ABN, the DoR replied in its written note:

> "The department conducted 100 percent internal audit of cultivation of opium records after the completion of settlement operation (Licensing) during crop year 2010-11, 2011 -12 and 2012-13. There is regular system of monthly reporting on all aspects of their functioning, which is regularly scrutinized and monitored at the level of Headquaters. Besides, reports of all seizures and those on other developments are sent as and when they occur. The CBN office does not have an ISO certificate. However, a number of steps have been taken for automation of its functional activities including interaction with public by introductory web-application and sharing of information. These initiatives are at beginning stage and it would take some time to achieve the level to go for ISO certification."

PART- II

OBSERVATIONS/RECOMMENDATIONS

Chapter VI of C&AG Report No. 12 of 2014 pertains to shortcomings in the management of narcotic substances like illicit cultivation of opium poppy, no clear policy framework for the management of opium production and sales and overlapping of roles of Narcotics Control Bureau and Central Bureau of Narcotics (CBN). The Committee, based on the analysis of the audit chapter, oral evidences of the representatives of Ministry of Home Affairs, Department of Commerce, Narcotics Control Bureau (NCB), Department of Revenue and Central Bureau of Narcotics and post-evidence replies furnished by Ministry of Home Affairs, Department of Revenue, Ministry of Finance have found various shortcomings and have placed their observations and recommendations in succeeding paragraphs.

I. Huge vacancies in Major Controlling Agencies:

The Committee observe an acute shortage of staff in Group 'A' and Group 'D' cadres in CBN and CCF telling upon the quality of inspections and implementation of work. The vacancies stood at 56.83% in CBN and 60.85% in CCF . The difference between the sanctioned and actual strength for different cadres ranged from 14% to 63% in CBN whereas for Chief Controller of Factories (CCF) it was 30% to 60% in 2013-14. The Committee further note that even after being pointed out by the Audit in the Report and the Committee during evidence, the vacancies are still at 54% and 65% in CCF and CBN. Also, a large number of vacancies are yet to be filled in NCB. The Committee note from the reply of the Ministry that the vacancies are being filled and meetings with Staff Selection Commission and Central Board of Excise and Customs have been organized and that Staff Selection Commission informed that, their calendar was full and they would not be in position to organize the special examination for recruitment of Hawaldars in CBN, CBEC and NCB, before May, 2018. Further, the Committee note from the reply of the Ministry that a request was made to Staff Selection Commission in May 2016, followed by request to DOPT in August 2016, to devise

a system of maintaining wait list in the selection list. The Committee desire that the Ministry may follow up with the SSC and DoPT on the request for maintaining a wait list and apprise the Committee of the action taken by SSC and DoPT thereon. The Committee are of the view that in the instant case, for NDPS Act to be properly implemented, it is necessary to fill these key positions urgently. The Committee observe that such large scale vacancies in all of the major agencies involved in controlling and management of narcotic substances has seriously hampered the functioning of these Agencies which is clearly visible from the findings of the Audit Report and exhort the Ministry to take up the matter urgently with the recruitment agencies so that the vacancies are filled up at the earliest.

The Committee are of the view that delay in filling up vacancies across all the Ministries/Departments is taking its toll on the output of these organizations. The working of oganizations mandated to enforce laws, rules regulations etc is severely affected by shortage of manpower. The Committee opine that the Ministry may allow organizations with large number of vacancies to absorb deputationists who served that organization satisfactorily for a specified number of years. The Committee desire that Ministries/Departments should have a well laid down rotational transfer policy to be implemented in letter and spirit to discourage vested and personal interests hampering judicious decisions. The Committee also recommend that the recruitment procedure be comprehensively reviewed by the Government to ensure that vacancies are filled up at the earliest.

II. Robust Policy Framework

2. The Committee note that opium poppy is cultivated strictly in accordance with the general conditions finalized by the Government of India and one of the condition stipulates for a certain Minimum Qualifying Yield (MQY) of opium produce per hectare, which is required to be tendered by the licensed cultivators, to be eligible for license during the following crop year. Audit revealed that the State of Uttar Pradesh was not achieving the average MQY and is producing less opium ranging from 6.67% to 31.38% of average MQY during the period of 2008-09 to 2012-13. The Committee further note that a huge number of cultivators in Uttar

Pradesh fully/partially uprooted the crop during the years 2008-09 to 2012-13 and though 23591 hectares area was licensed there was a shortfall of 49 percent in utilization. The Ministry replied that to reduce cases of uprooting, a provision has been made in the general conditions that cultivators who have uprooted their crops for three years continuously will be delicensed in the next crop year. The Committee desire that the details regarding delicensing of the number of farmers who have been delicensed for uprooting their crops be furnished to the Committee and an inquiry be made into issuing of licenses to the farmers who could not achieve MQY repeatedly and stern action taken against those found abetting illegal trade so as to curb the menace of drug-trafficking. The Committee further desire that clear guidelines for destruction of uprooted crops be issued and enforced strictly as these uprooted crops can be used for extracting narcotic substances and the issue of large number of such cases be investigated.

3. Audit examination revealed that no soil testing was carried out before issue of licenses to cultivators and the District Opium Officer of Barabanki, Uttar Pradesh accepted the audit observation. The Committee are shocked to note from the reply of the Ministry that observations made by the audit regarding issuance of license on the basis of soil testing etc are neither supported by the provisions of the NDPS rules issued under NDPS Act, nor by NDPS Policy and nor even by the Guidelines issued by the Govt. for issuance of license. However, CBN issues licenses for soil research and development to five Research Institutes. The Committee desire that expenditure incurred on soil research and development in last 5 years and the innovations/ decisions etc. made on the basis of above research be furnished to the Committee. The Committee are of the considered opinion that logically, soil testing must be a pre-requisite before issuing licenses and desire that an explicit provision in this regard be added to the Rules so that the licenses are issued on scientific basis. The Committee also desire that soil testing in new areas should also be done for determining the production capability of the country. The figures so derived be intimated to the Department of Commerce for inclusion in EXIM policy for the narcotics substances and the

International Narcotics Control Bureau (INCB) for being considered while fixing of country quotas by them.

III Need for well regulated and controlled narcotic control framework:

4. The Committee observe that manufacture, sale and export of the narcotic alkaloid extracts higher up in the value chain have the potential to provide exponentially higher economic returns to the poppy plantation and save foreign exchange in procuring poppy seeds from the traditional hinter lands. However, Audit pointed out that there seemed to be no clear policy framework aiming at the twin objectives of revenue generation through sale of finished opium based pain relief chemicals and foreign exchange savings by indigenous production of opium seeds. The Committee note that the CBN which is under the DoR is responsible for the supervision of opium cultivation and is regulatory authority for licensing import and export of the alkaloids and licit opium etc. Narcotics Control Bureau(NCB) which is under the Ministry of Home Affairs, is an apex enforcement agency for the narcotics drugs and destruction of illicit cultivation of opium. The DRI, the Customs, the State police, are other agencies which are involved in management of narcotics substances. The Committee observe that the system in place to monitor and control production of opium poppy is deficient as is evident from illegal crop production, rampant uprooting of crops, not achieving even the Minimum Quality Yield (MQY), absence of soil testing, limiting the production to only three States etc. The Committee find that involvement of CBN, NCB and State authorities has only added to the confusion, mismanagement, overlapping of monitoring and control, not taking action by one organisation as they think that the other organisation might take action due to lack of coordination and absence of clearly defined responsibilities in inter-related areas. The Committee would, therefore, like to refer to the Principle of Management i.e. 'Unity of Direction' which states that activities aimed at the same objective should be so organized that there is one plan and one head responsible for accomplishment of the same. The Committee are of the view that there should be an integrated plan for management of narcotics substances under

the supervision of Narcotics Control Division (NCD), DoR to ensure unity of action and coordination. Accordingly, the Committee desire that all functions related to management of narcotics substances be transferred to the NCD to ensure efficient handling of related aspects.

5. Further, there seems to be no apparent rationale for allowing cultivation of poppy seeds in only three States when the demand for the same is much higher than its production which is consequently met through imports. The Committee note that last demand survey was conducted by the Ministry of Social Justice and Empowerment seventeen years back in 2001. The Committee desire that a comprehensive demand survey be done urgently by the NCD and thereafter every five years to assess the actual demand of opium poppy in India. However,the Committee observe that the demand for opium have already been much higher than its cultivation and will increase manifold in next 5-10 years after National Health Policy is enforced. The Committee exhort the Ministry to conduct soil testing in more States to ascertain its quality for poppy cultivation to cope up with the ever increasing demand of opium. The Committee desire that the results of soil testing of new and existing areas and drug demand survey be considered by NCD for adding new areas of cultivation to meet the domestic demand.

IV <u>Need for Augmenting Opium Production and technological advancement</u>:

6. Audit revealed a shortfall in production of opium 100 MTs, 600 MTs and 169 MTs in respect of requirement of opium for the year 2010-11, 2011-12 and 2012-13 clearly indicating the failure of Department to achieve the estimated requirement/production of opium. The Committee note from the reply of the Department that shortfall in production of opium was due to less harvesting of crop due to damage in crop (plant disease/natural calamity) in year 2010-11, large uprooting/plough back of opium in year 2011-12 and licenses given to cultivators for 10 ares and 15 ares in place of 35 ares and 50 ares resulting in less harvested area in year 2012-13.The Committee are shocked to note that Annual Narcotics Conference (ANC) on poppy cultivation was held every year to discuss various aspects before finalizing the policy for next crop year cultivation. Even after

factoring the stated reasons every year during Annual Conference there was a shortfall in achievement of required opium production year after year. The Committee desire that a Sub-Group may be constituted to review poppy cultivation in India and suggest measures to increase cultivation, production, technology upgradation and changes in licensing policy and fee and amendments to NDPS Act to arrest continuous decline in production.

7. The Committee observe that India is one of the few producers of opium in the world, yet opium seeds have to be imported. As per the Department of Commerce, the imports of poppy seeds during 2016-17 was USD 44.07 million as against exports to the tune of USD 0.73 million. The Committee further observe that West Bengal, Bihar, Jharkhand, Manipur, Arunachal Pradesh and Uttrakhand are the areas where illicit crop has been cultivated and destroyed. The Committee are of the view that in order to increase production within the country such areas of land can be brought under licit cultivation and new cultivators included through advertisement and by involving village panchayat offices. The Committee note that two factories, one in Neemuch and another in Ghazipur are employing methods based on old and outdated technology leading to delay as well as shortage in production in addition to its misuse. The Committee while noting the submission of the Secretary that technological upgradation is needed to make production in the country viable, desire that the abovesaid Sub-Group may also suggest the road map for introducing new technology to increase production in a time-bound manner.

V Monitoring and Control

8. The Committee observe that in Uttar Pradesh, area uprooted vis-a-vis measured area showed an upward trend and was carried out in disregard of the provisions laid down in opium manual issued by the Department. In Barabanki district, the uprooted area increased from 59.57 per cent in 2011 to 75.32 per cent in 2013, and no reasons like natural calamities such as rains, plant diseases etc. were available on record. Further, In Bareilly district, a cultivator had an excess cultivation beyond the 5% 'Condonable Limit' during the crop year 2011-12 and

the appellate authority vide appeal order No.9/2012 dated 29 March 2012 had ordered the ploughing back of excess portion of crop only. District Opium Officer (DOO), however, ploughed back the entire crop of the cultivator in disregard of the aforesaid provisions and the order of the appellate authority. Besides, this fact was wilfully not mentioned by the District Opium Officer in his annual report of 2012. On being pointed out by the Audit, the Ministry replied that entire crop of said cultivator had dried up by the time of passing of Appeal Order and ploughing-back was on application of the farmer. The Committee are of the view that the reply is not acceptable as no such record was available in the State of Uttar Pradesh and that such cases point to the callous attitude of the higher authorities and complicity of the officials at field level . The Committee desire that strict action be taken against the erring DOO and delinquent officials and the Department may also look into other such cases to ensure that uprooting has only been allowed in genuine cases.

9. The Committee observe that a new mode of drug trafficking is happening through darknet using crypto currency. The Committee are distressed to note that growing e-commerce in the country is facilitating significant increase in online pharmacies that are being used for trafficking drugs with the help of shady courier services under the veil of darknet. The Committee feel that as India is also facing challenges associated with narcoterrorism, illegal cultivation of opium poppy and rising drug abuse there is a need to improve coordination and reducing number of agencies, giving impetus to increasing opium production in India and restricting imports, eliminating illegal internet pharmacies, while safeguarding trade interests. The Committee desire the need for a dedicated technical Cyber Wing under NCD, DoR to monitor drug trafficking through virtual currency and internet pharmacy.

10. The Committee observe that during the scrutiny of quarterly information/report in respect of pending cases in the District/Subordinate Courts for the quarter ending on December 2013 sent by U.P Unit of CBN to their Headquarters, out of 104 cases pending as on date, about 37 cases involve

seizures prior to the year 2000; but neither respective date(s) of filing these 104 cases had been mentioned nor the Department was aware of the present status of any of these cases. Shockingly, the Ministry submitted that it is not correct to say that 104 no. of cases are pending as the Officers of CBN have filed these cases and Special Public Prosecutor (SPP) concerned is regularly directed to request Courts for early disposal of cases. The Committee do not agree with the contention of the Department as the observation had been concluded from the records provided by U.P. unit to CBN Headquarters. Though speedy decisions by Courts is beyond the control of the Department, poor record keeping and lack of monitoring by the Department is a serious matter. The Committee desire that strict action be taken against the officials responsible for mismanagement of records. The Committee are of the opinion that there must be special NDPS courts in all States where tracts have been notified and desire that Ministry to vigorously pursue disposal of NDPS cases besides regular monitoring of all the Court cases which should be preferably made online and easily accessible to higher authorities.

11. The Committee note that contrary to the provisions, the Department had paid more than ₹ 2 crore being 90 percent price of opium and its balance amount to the persons other than cultivators like son, brother, daughter and Mukhiya etc. On being asked about the matter, it was replied that as per Opium Manual Volume-II "If any cultivator is absent, payment for him may be made to the Lambardar or substitute appointed by the cultivator himself on the responsibility of the Lambardar", and that no complaint had been received from cultivators regarding non receiving of cost of opium and since 2012-13 opium cost had been paid to the cultivator's individual bank account through e-Payment. The Committee are dismayed to note that though e-payment has been introduced, large amount such as ₹ 1.51 crore and ₹ 0.56 crore (approx.) in respective States was paid to persons other than cultivators without obtaining any authority letter from the cultivators and the original cultivator had not given authority to whom the payment was to be made; hence, the payment was irregular. The Committee

desire that the responsibility of the officials for making irregular payments be fixed and action taken against them and the Committee be apprised thereof.

12. The Committee note that the Department claims to conduct 100 per cent internal audit of cultivation of opium records after the completion of settlement operation each year and as per the internal audit report, no discrepancies/irregularities/ambiguity was found during the period 2010-11 to 2012-13. However, C&AG audit found, inter-alia, non-adherence to the provisions of licensing policy, smart card identification, satellite based cultivation management and lack of serious efforts for recovery of outstanding dues from the cultivators indicating lack of internal controls in the Department. The Committee further note that there was no reconciliation done with the State Excise Departments to control the sale/diversion of the by-products of the poppy (poppy straw, poppy husk and poppy seeds). The Department replied that there is a system of monthly reporting on all aspects of the functioning of State units of CBN and CCF, which is regularly scrutinized and monitored at the level of Headquarters. Besides, reports of all seizures and those on other developments are sent as and when they occur and a number of steps have been taken for automation of its functional activities including interaction with public by introducing web-application and sharing of information. The Committee are shocked to note that instead of taking measures to rectify the flaws pointed out by the Audit, the Ministry is reiterating the prevailing mechanism .The Committee are of the view that since cases of non-adherence to the provisions of Licensing Policy, non-maintenance of records at District Opium Office i.e. Preliminary Weighment Register, Payment Weighment Register etc. have been pointed out by the Audit the reporting, recording and monitoring system be strengthened and a time frame be prescribed for CBN to get an ISO certification. The Committee are of the view that non-adherence to the provisions of licensing policy, non-maintenance of records and non-reconciliation with the State Excise Department to control diversion are serious issues which should be enquired into and action taken against those found responsible. The Committee exhort the Ministry to take urgent steps to improve the system and apprise the Committee accordingly.

13. The Committee are distressed to note that audit has pointed out serious problems like licenses issued to ineligible farmers, exorbitant ploughing back of opium, no mechanism to verify opium testing report, irregularities in Preliminary Weighment Register etc indicating deficiencies and irregularities in the internal control mechanism. The above cases highlight the lackadaisical attitude of the District Opium Officers (DOO), Lambardar in recording and maintaining the records at regional level. Hence, the Committee exhort the Ministry to develop a robust monitoring mechanism to ensure that rules, regulations and procedures are followed by all levels in the hierarchy. The Committee desire the Ministry to prescribe yearly schedule of regular inspections of Regional Offices by the senior officers of the Department and all inspection reports be made available online to ensure transparency and easy access by the higher authorities. The DOO should also be made accountable by prescribing submission of fortnightly reports online.

14. The Committee further note that the satellite based monitoring of illicit cultivation of opium is not enough as cases of illegal cultivation not detected by the satellite have been noticed. Also, the areas reflected in satellite data is at times short captured than actual area found and destroyed by agencies. Such inefficiency defeats the very purpose of the systems of identification of illegal opium cultivation and monitoring. The Committee are of the view that mapping of areas be done in a manner where satellite based monitoring functions as an adjunct to the ground level survey to give effective results. The Committee opine that Centralised Monitoring System will work better with the Departments and Ministries concerned coming together, coordinating and working effectively for the cause. The Committee desire that in order to reduce illicit cultivation a facility be developed whereas an image of the illegally cultivated area can be uploaded on the website by anyone as is being done by the DDA.

NEW DELHI;
23 March, 2018
2 Chaitra, 1940 (Saka)

Shri Mallikarjun Kharge
Chairperson
Public Accounts Committee

CONFIDENTIAL

MINUTES OF THE SIXTH SITTING OF SUB-COMMITTEE III (DIRECT AND INDIRECT TAXES) OF PUBLIC ACCOUNTS COMMITTEE (2016-17) HELD ON 9 NOVEMBER, 2016.

The Committee sat on Tuesday, the 9th November, 2016 from 1430 hrs. to 1545 hrs. in Committee Room 'D' , Parliament House Annexe, New Delhi.

PRESENT

Shri Nishikant Dubey - **Convenor**

LOK SABHA

Shri Shivkumar C. Udasi

RAJYA SABHA

Shri Ajay Sancheti

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Additional Secretary
2. Shri T. Jaya Kumar - Director

REPRESENTATIVES OF MINISTRY OF HOME AFFAIRS

1.	Shri M.K.Singla	-	Special Secretary, Ministry of Home Affairs (MHA)
2.	Rahiv Rai Bhatnagar	-	DG, Narcotics Control Bureau (NCB)

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms. K. Ganga - Dy. CAG (CRA)
2. Ms. Shefali S. Andaleeb - PD (Customs)

2. At the outset, the Convenor welcomed the Members of the Sub-Committee and the representatives of the Ministry of Home Affairs to the sixth sitting of Sub-Committee III of PAC (2016-17). The Convenor, then, apprised them that the meeting was convened to

discuss 'Management of Narcotic Substances' based on C&AG Report No. 12 of 2014. He drew the attention of the witnesses to the confidentiality of the Sub-Committee-III of the Public Accounts Committee (2016-17). The Sub-Committee took serious note of the absence of Secretary, Ministry of Home Affairs in the meeting. The Convenor pointed out that Secretary, Ministry of Home Affairs sought exemption on grounds of illness only after being telephoned by the Secretariat that too on the day of the meeting whereas the names of his subordinates were forwarded to the Secretariat the day before.

3. Thereafter, the representatives of the Ministry of Home Affairs after introducing themselves briefed the Committee on the issues raised in the report of the C&AG. The Convenor and Members then raised various queries on the above above-mentioned subject including :

i) Rationale for allowing cultivation of popy crop in only three States.

ii) Destruction of illicit opium crops.

iii) Advertisements for inviting requests for licenses to ensure transparency.

iv) Need for bringing licensing and monitoring under one agency.

v) Legal cultivation dealt with by the Department of Revenue (DOR) and illicit cultivation dealt with by the Ministry of Home Affairs.

vi) Problems in coordination amongst various agencies.

vii) Details of issues taken up with Ministry of Home Affairs.

viii) Whether NCB working successfully with regard to its mandate.

ix) Complaints regarding enforcement, feedback from the fields and lack of coordination amongst forces guarding borders, State police forces, Department of Revenue and Central Bureau of Narcotics (CBN).

x) Using satellite imaging for detecting illicit cultivation.

xi) Conferences in States where satellite images show illicit cultivation to take up the matter with Principal Secretary and District Magistrate regarding plan of action for destruction of illicit crops.

xii) Opium cultivation by immigrants and lackadaisical action by the NCB and State Governments.

xiii) Efficacy of satellite mapping, ground surveys and coordination with State Governments.

xiv) Frequency of meetings of NCB with Chief Secretaries of the States.

xv) Effectiveness of intelligence wing of NCB and coordination with intelligence wings of Central/State Governments.

xvi) Involvement of NCB officers in corrupt practices and action taken against them.

xvii) Collection of statistics from various agencies for transmission to the International Narcotics Control Bureau.

xviii) Computerisation of the data of NCB, Central Monitoring System and vacancies in NCB.

xix) Report on challenges and issues before NCB.

xx) Ineffectiveness of NCB/Ministry of Home Affairs in preventing disturbing situations in various States due to opium cultivation.

xxi) Excess cultivation beyond the condonable limit, difference between preliminary check of quality and weighment of opium and final checks.

xxii) Involvement of multiple agencies in enforcement and the resultant confusion.

xxiii) Role of NCB as coordinator and investigator in intelligence operations and prosecution.

xxiv) Sanctioned strength and vacant posts in NCB, cadre review and change in recruitment rules.

xxv) System of coordination developed by NCB after 2003, whether any scientific system developed for coordination with the agencies viz. DOR, MOC, Intelligence Bureau, State Police at National, State and Zonal levels and the

schedule of meetings and whether the targets were met in last 3 years.

xxvi) Internal monitoring of opium cultivation.

xxvii) Impact of dividing the work between DOR and Ministry of Home Affairs and level of coordination achieved.

xxviii) Whether CBN and NCB should be under one Ministry.

xxix) Reasons for importing opium.

xxx) No visits by NCB in sample survey location provided by ADRIN.

4. The Convenor observed that the internal mechanism to detect illicit cultivation of opium in India should be strengthened by the NCB. The Convenor also directed that a report on the issues, challenges and the benefits derived from dividing the responsibilities between CBN/DOR and NCB/MHA may be submitted to the Sub-Committee within 10 days.

5. The Secretary, Ministry of Home Affairs and other officials, replied to the queries raised by the members on various issues of the subject. As some queries required detailed information and clarifications, the Convenor asked the representatives of the Ministry to furnish written replies thereon to the Secretariat within 10 days. The officials assured the Sub-Committee to do the same.

6. The Convener then thanked the representative of Ministry of Home Affairs and officers of NCB for appearing before the Sub-Committee for tendering evidence and for giving free and frank replies to the queries of the members.

7. The Convener then thanked the representatives of Ministry of Home Affairs for giving their views in a candid manner.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

MINUTES OF THE NINTH SITTING OF SUB-COMMITTEE III (DIRECT AND INDIRECT TAXES) OF PUBLIC ACCOUNTS COMMITTEE (2017-18) HELD ON 09 NOVEMBER, 2017.

The ninth sitting of Sub-Committee was held on Thursday, the 9th November, 2017 from 1530 hrs to 1645 hrs in Committee Room '3',Block A, New Extension Building, Parliament House Annexe, New Delhi.

Shri Nishikant Dubey - Convenor

PRESENT

Members

LOK SABHA

Shri Shivkumar C. Udasi

LOK SABHA SECRETARIAT

1.	Shri A.K Singh	-	Additional Secretary
2.	Shri Jayakumar T.	-	Director
3.	Smt. Bharti S. Tuteja	-	Deputy Secretary

REPRESENTATIVES OF MINISTRY OF COMMERCE AND INDUSTRY (DEPARTMENTOF COMMERCE)

1.	Ms. Rita Teaotia	-	Commerce Secretary
2.	Shri Alok Chaturvedi	-	Director General of Foreign Trade

REPRESENTATIVES OF NARCOTICS CONTROL BUREAU

1.	Ms. Rina Mitra	-	Director General
2.	Shri Rajendra Pal Singh	-	Deputy Director General (Operations)
3.	Shri Taj Hassan	-	Deputy Director General (Headquarters)

REPRESENTATIVES OF THE OFFICE OF THE C&AG OF INDIA

1. Ms. K. Ganga - Dy. CAG
2. Ms. Shefali S. Andaleeb - Pr.Director (Customs)

2. At the outset, Hon'ble Convenor welcomed the Members of the Sub-Committee and the representatives of C&AG to the sitting of Sub-Committee III of PAC (2017-18). Hon'ble Convenor, then, apprised them that the meeting was convened to take evidence of representatives of Ministry of Commerce & Industry (Department of Commerce) and representatives of Narcotics Control Bureau (NCB) on issues related to "Management of Narcotics Substances" based on Chapter VI of C&AG Report No. 12 of 2014. After briefing by the officials of C&AG, the witnesses were called in. Hon'ble Convenor while drawing attention of the witnesses to the confidentiality of the evidence tendered before the Committee, in his introductory remarks, made the following observations:-

(i) Role of various Ministries/agencies in Management of Narcotic Substances.
(ii) No apparent rationale for allowing cultivation of poppy seeds in only three States.
(iii) High demand for poppy seeds in India and the difference between demand and production being met through imports.
(iv) Coordination related issues due to involvement of multiple agencies.
(v) Use of online pharmacies for drug trafficking.
(vi) Dwindling production of opium.
(vii) Overlapping roles of Narcotics Control Bureau (NCB) and Central Bureau of Narcotics (CBN).
(viii) No policy framework for the twin objectives of revenue generation and foreign exchange savings.

3. Thereafter, the representatives of Department of Commerce (DoC) & NCB introduced themselves. Secretary, Department of Commerce in her opening remarks briefed the Sub-Committee about the mechanism and structure of formulation of trade policy in the Ministry and specific role in Management of Narcotic Substances. Thereafter, Director General (DG), NCB explained that NCB is the nodal agency for all coordination

measures taken by various agencies and that it monitors drugs disposal and seizures etc. The Members of the Sub-Committee sought clarifications on various issues including :

(i) Drug trafficking through Darknet & Bitcoins.
(ii) Trade deficit in poppy seeds and steps taken to address the issue.
(iii) Unified mechanism to look into licit and illicit opium production.
(iv) Value addition to opium for using it for medicinal purpose.
(v) Need for a role of DoC in advising Department of Revenue (DOR) about balancing imports & exports.
(vi) Report of the DoC regarding the opium policy which it has shared with line Ministries.
(vii) Status of Coordination Cell referred to by the then DG, NCB during evidence held on 09.11.2016
(viii) Action taken against corrupt officials of NCB in last one year.
(ix) Meetings held with International Narcotics Bureau & CBN to address issues relating to increase in drug trafficking in last one year.
(x) Status of online computerised system being developed for collecting data regarding illicit trade.
(xi) Vacancies filled up in last one year in NCB.
(xii) Lack of satellite mapping and coordination issues with State Government leading to increase in illicit cultivation.

3. Secretary explained that DoC regularly makes an assessment of major imports and exports and sends it to the line Ministries to devise a strategy in order to address why there is too much of imports in certain categories. Thereafter DG, NCB while responding to the queries of the Members stated that the recruitment process takes time as it needs to be taken up by the UGC which has an elaborate procedure for the same. As regards the Centralised Monitoring System (CMS), the representation of the NCB stated that it would become operational by March, 2018.

4. Hon'ble Convenor in his closing remarks stated that a meeting between all the Ministries and agencies under the Charimanship of Cabinet Secretary be held to address the issues relating to trade deficit, getting estimate for the pharmaceutical companies, setting yield on scientific basis, inclusion of new cultivations/tracts, considering licensing in other States as per demand and proper monitoring by having a unified agency. Hon'ble

Convenor directed the representatives of the Ministry to submit the replies to the queries raised by the Members within 15 days.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

MINUTES OF THE TWELFTH SITTING OF SUB-COMMITTEE III (DIRECT AND INDIRECT TAXES) OF PUBLIC ACCOUNTS COMMITTEE (2017-18) HELD ON 04 DECEMBER, 2017.

The sitting of Sub-Committee was held on Monday, the 4th December, 2017 from 1500 hrs to 1615 hrs in Committee Room '3',Block A, New Extension Building, Parliament House Annexe, New Delhi.

Shri Nishikant Dubey - **Convenor**

PRESENT

Members

LOK SABHA

Shri Shivkumar C. Udasi

LOK SABHA SECRETARIAT

1.	Shri A.K Singh	-	Additional Secretary
2.	Shri Jayakumar T.	-	Director
3.	Smt. Bharti S. Tuteja	-	Deputy Secretary

REPRESENTATIVES OF MINISTRY OF FINANCE (DEPARTMENT OF REVENUE), CHIEF CONTROLLER OF FACTORIES AND CENTRAL BUREAU OF NARCOTICS (CBN)

1.	Shri Hasmukh Adhia	-	Secretary
2.	Shri Udai Singh Kumawat	-	JS
3.	Shri C.P. Goyal	-	Chief Controller of Factories
4.	Shri Rajesh Puri	-	Narcotics Commissioner

REPRESENTATIVES OF THE OFFICE OF THE C&AG OF INDIA

1. Smt. Anita Patnaik - Dy. CAG
2. Shri Sanjay Kumar - PD (Customs)

2. At the outset, Hon'ble Convenor welcomed the Members of the Sub-Committee and the representatives of the Ministry of Finance (Department of Revenue)and Central Bureau of Narcotics (CBN) to the twelfth sitting of Sub-Committee III of PAC (2017-18). Hon'ble Convenor, then, apprised them that the meeting was convened to discuss further the subject 'Management of Narcotic Substances' based on C&AG Report No. 12 of 2014. He drew the attention of the witnesses to the confidentiality of the Sub-Committee-III of the Public Accounts Committee (2017-18). It was further apprised that the PAC (2015-16) had held informal discussion on the subject at Goa during the study visit of the Committee. Further, on allocation of the subject to the Sub-Committee-III, the subject was further discussed with Ministry of Home Affairs (MHA) and Narcotics Control Bureau (NCB) on 09.11.2016 followed by another evidence of NCB and Department of Commerce (DoC) on 09.11.2017. Hon'ble Convenor, further made following observations in his introductory remarks:-

(i) Potential of narcotic alkaloid extracts to provide higher economic returns to poppy plantation and save foreign exchange.
(ii) Lack of clear policy framework aiming at the twin objectives of revenue generation and foreign exchange savings.
(iii) Involvement of multiple agencies leading to overlapping and coordination related problems with regard to management of Narcotic Substances.
(iv) No apparent rationale for allowing cultivation of poppy seeds in only three States.
(v) High demand of poppy seeds consequently met through imports.
(vi) Rise of illicit production of opium poppy.
(vii) Remedial action taken by the Ministry on Audit's observations.
(viii) Steps taken by the Ministry to address issues of overlapping of roles, illicit productions of opium poppy, dwindling licit production of opium in India and policy framework for better management of Narcotic Substances.

3. Thereafter, the representatives of Department of Revenue(DoR), Chief Controller of Factory (CCF) & Central Bureau of Narcotics (CBN) introduced themselves. Secretary, Department of Revenue in his opening remarks briefed the Sub-Committee about the responsibility of the Department for NDPS Act, 1985 and responsibility of two agencies CBN and CCF. Secretary, DoR, on overlapping functions between CBN and NCB, pointed out that CBN is the main regulatory authority for licensing, import & export of opium alkaloid whereas NCB is an apex enforcement agency for narcotic drugs. He further briefed that the crop technology used in India to convert the gum into opium is outdated world over and there is need for shifting towards new technology to prevent misuse and leakage of opium into the market. The two factories at Gazipur (since 1850) and Neemuch (since 1976) running on old technologies, needs to be modernised. On lines of new technology of Concentrate of Poppy Straw (CPS) experimental fields have been given to two parties for growing CPS. The Sub-Committee sought clarifications on various issues including:

(i) Pilot project under CPS.

(ii) Views of Department of Revenue on Cabinet Note mooted by MHA on transfer of NCB, CBN and CCF from DoR to MHA.

(iii) Demand analysis for untapped potential of opium and its derivatives.

(iv) Guidelines formulated subsequent to the judgement of the Allahabad High Court for import of poppy seeds.

(v) Efforts made by the Government to increase production of poppy seeds in line with the National Policy on Narcotic Drugs.

(vi) Total no. of NOCs issued for import and export of precursor chemicals under the PEN (Pre-Export Notification).

(vii) Issue of smuggling of opium from non-signatory to signatory countries and chances of it getting into India via countries signatories to International Narcotics Control Bureau (INCB).

(viii) Determination of quota for each country under INCB, Vienna.

(ix) Seeking information from INCB on opium produced, consumed and exported by other signatory countries.

(x) Rationale for cultivating poppy only in three States.

(xi) Reasons for import of opium from particular countries only.

(xii) Details of drug-demand survey done by the Department in view of increasing drug requirements in the country particularly in the health sector.

(xiii) Reasons for rise in trade deficit of narcotic substances.

(xiv) Steps taken to control illicit production of poppy in other States of the country.

(xv) Policy framework to address issues of coordination with MHA & State agencies on illicit poppy production.

(xvi) Issue of huge vacancies in CBN.

(xvii) Using of shrub area along Ganga river for cultivation of poppy.

(xviii) Misuse of border areas along the country for illegal smuggling of opium/narcotic drugs due to weak law.

(xix) Need for strengthening of law to cultivate poppy sufficient to meet domestic requirements for drugs and other issues and thereby reducing dependency and bridge the export-import gap.

(xx) Universal implementation of National Health Policy and increasing requirement of drugs in that case.

(xxi) For carrying out drug survey need for coordination amongst DoR, MHA, Ministry of Social Justice and Ministry of Chemicals & Fertilisers.

(xxii) Anamolies in opium policy and steps taken to address them.

(xxiii) Reasons for variations in data of three poppy growing States and reasons for non-achieving of opium production targets.

(xxiv) Action taken in last 5 years against the responsible officers for illicit poppy cultivation.

(xxv) Need for constitution of Coordination Committee at Secretary level to address Inter-Ministerial issues.

(xxvi) Minutes of last four quarterly meetings taken by NCB and as attended by CBN.

(xxvii) Long pendency of court cases and their quarterly information report.

(xxviii) Issue relating to non-testing of soil before issuance of license to cultivators.

(xxix) Reports from four Institutes on scientific study of opium crops.

(xxx) Non-disposal of seized opium and other psychotropic drugs fit for disposal.

(xxxi) Issue of irregularities in Preliminary Weighment Register (PWR) and details of list of 237 cases scrutinised by Audit.

4. Secretary explained that the Department of Revenue would give their opinion on Cabinet Note initiated by MHA as and when it comes to Department and expressed his opinion that it would be better that the regulatory & enforcement issues on Narcotic Substances be dealt separately by CBN & NCB respectively. Thereafter, Narcotics Commissioner, CBN while responding to the queries of the Members stated that CBN

attend quarterly meetings of NCB as and when issues related to CBN is on the agenda and also enlightened the Sub-Committee about the February, 2016 judgement of Supreme Court in 'Mohan Lal' case.

4. The Secretary, Department of Revenue and other officials replied to the queries raised by the Members on various issues related to the subject. As some queries required detailed information and clarifications, the Convenor asked the representatives of the Ministry to furnish written replies thereon to the Secretariat within 10 days. The officials assured the Sub-Committee to do the same.

5. The Convenor then thanked the representative of DoR, CCF & CBN for appearing before the Sub-Committee for tendering evidence and for giving free and frank replies to the queries of the Members.

6. The Convenor then thanked the representatives of Ministry of Finance (DoR), CCF & CBN for giving their views in a candid manner.

The witnesses then withdrew.

A copy of the verbatim proceedings has been kept on record.

The Committee, then, adjourned.

MINUTES OF THE SIXTEENTH SITTING OF THE SUB-COMMITTEE-III (DIRECT & INDIRECT TAXES) OF PUBLIC ACCOUNTS COMMITTEE (2017-18) HELD ON 22 MARCH, 2018.

The Committee sat from 1000 hrs. to 1045 hrs. on 22 March, 2018 in Committee Room No. "3", Block A, Extension Building, Parliament House Annexe, New Delhi.

PRESENT

Shri Nishikant Dubey - Hon'ble Convenor

MEMBERS

LOK SABHA

2. Shri Shiv Kumar C. Udasi

RAJYA SABHA

3. Shri Bhupender Yadav

LOK SABHA SECRETARIAT

1. Shri A. K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Smt. Bharti S. Tuteja - Deputy Secretary

REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri. Sanjay Kumar - PD (DT)

2. At the outset, the Hon'ble Convenor welcomed the Members and the representatives of the Office of the C&AG of India to the sitting of the Sub-Committee. The Hon'ble Convenor then apprised the Members that the meeting has been convened to consider and adopt two Draft Reports; one Original and one Action Taken Report, already circulated to Members. Thereafter, the Sub-Committee took up the following draft reports one by one for consideration:

(i) Draft Report on "Management of Narcotic Substances" based on Chapter VI of the C&AG's Report No. 12 of 2014; and

(ii) Draft Report on Action Taken by Government on the Observations/Recommendations contained in 75th Report (16th Lok Sabha) on "Performance of Import and Export Trade Facilitation through Customs Ports".

3. The Hon'ble Convenor invited suggestions of the Members on the above mentioned draft Reports. After discussing the contents of the draft reports, the Sub-Committee adopted the same with minor changes/modifications.

4. The Sub-Committee authorized the Hon'ble Convenor to finalize the Reports in the light of consequential changes arising out of the factual verifications by the Audit and present the same before the Main Committee for consideration and adoption.

The Sub-Committee then adjourned.